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IBM Center for
**The Business
of Government**



The Performance Institute



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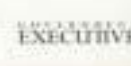
**Building on a history
of Non-Partisan
Management Policy**

April 2001

*Transitioning to a Performance-
based Government*

Bipartisan Observations and Recommendations to the New
Administration and Congress from 140 Current and Former
Federal Government Officials

by Carl DeMaio
Project Director: Adrian T. Moore



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Influencing Policy

- In 2008, the two major Presidential campaigns will include government performance management as part of their platforms.
- These policies will have been influenced by their exposure and involvement with The Transition in Governance Project.

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Measuring Success

- The Extent to Which Management Issues are Addressed in Both The Election Cycle and During the Next Administration.



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Scope

- A Survey of Federal Executives
- An Independent Web Site and Blog
- A leading group of Opinion Leaders Participating in Dialogue Sessions
- A Major Report with our Recommendations

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Seven Key Issue Areas

1. Program Performance and Results
2. Financial Management and Integrity
3. Federal Workforce and Human Capital
4. Sourcing, Acquisition and Partnerships
5. Electronic Government
6. Governance
7. Networks and Partnerships

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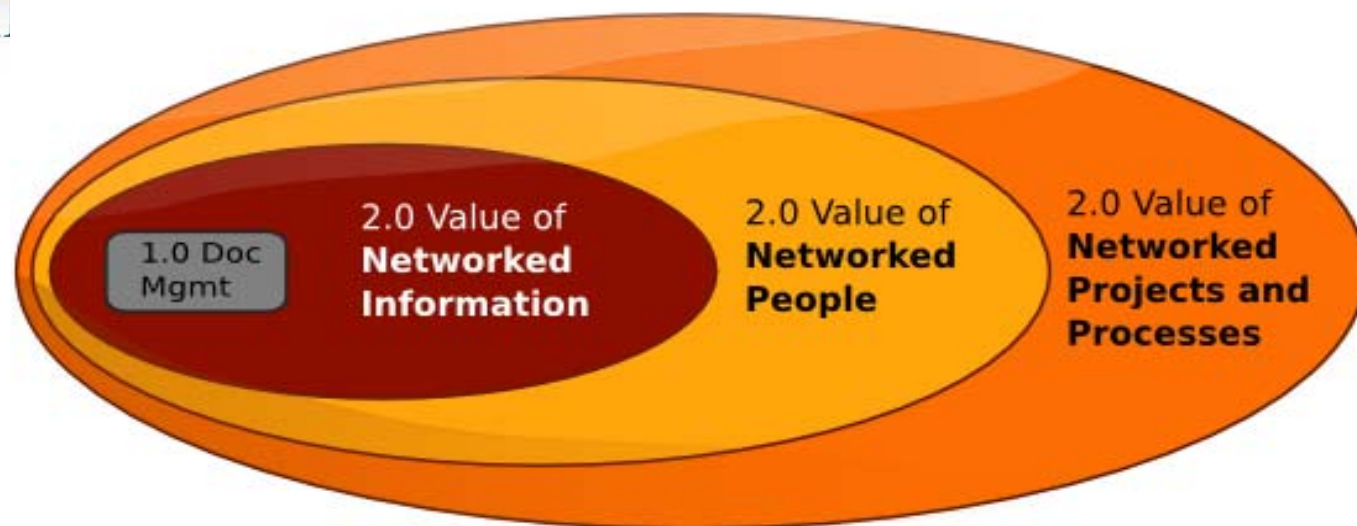
Beyond Accountability:

The next Administration and
Performance Management

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Understanding Complexity



- The outcomes for any particular action depend *on what other decision makers do*. Decisions by any one person often have to take into account the preferences, identities, and likely actions of others.
- These externalities can make business intelligence misleading.



How Do We Evaluate Performance Management?

- Past decisions are viewed as rational if the outcome was good.
- If performance management is always ex post and subjective, honest evaluation of intelligence becomes difficult.





Symbol or Substance?

- *The Good:* Gathering information and making decisions are now signals and symbols of competence. They are used to prove the worth of the manager and the program.
- *The Not-so-Good:* Decision makers gather information and do not use it; ask for more and ignore it; make decisions first and look for relevant information afterward, and gather and process information that has little or no direct relevance to decisions.

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The Right Decision *for* *Who?*

- Measures owned by departments separates actions and outcomes from full scrutiny by all interested parties.
- Also decisions favorable to groups may not be favorable to the organization as a whole, and vice versa.



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The Knowledge – Data Gap

1. Lessons are learned inadequately,
2. Memories are recalled incompletely,
3. The futures is predicted inaccurately,
4. Data rarely overcomes
preconceived notions.



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When The Data isn't enough

Possible Solutions:

- Rich histories
- Multiple observers and multiple interpretations
- Hypothetical histories





A Data Driven Culture Embraces Experimentation

Think of:

- Trial programs, pilot studies, and small experiments, and about the inferences that can be drawn from them.
- Does the Government embrace experimentation?



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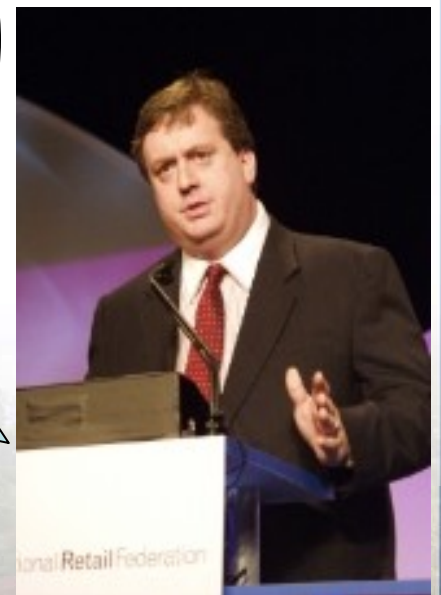


TRANSITIONS
IN
POLITICS

Three Ways to Get Fired at Harrah's

**“Steal,
harass women,
or institute a program
without first running an
experiment.”**

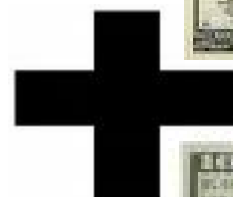
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TRANSITIONS IN
GOVERNANCE
2008

Intuitive Decision Making vs. Data



OR



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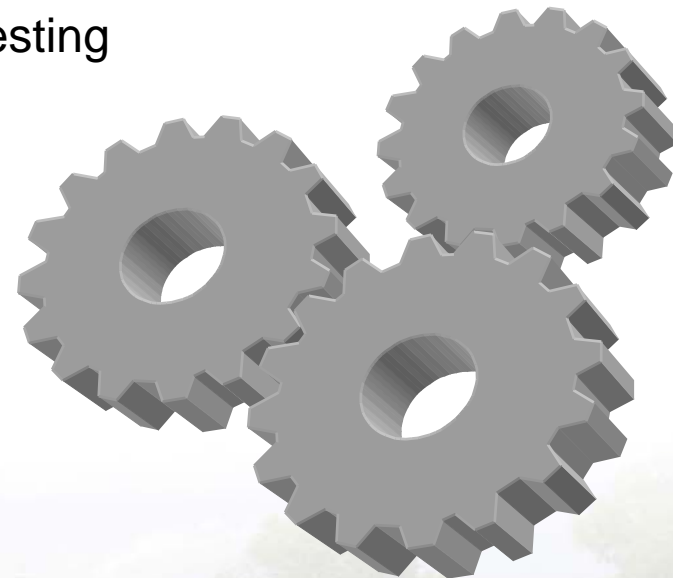
A Learning Organization

Capital One

- An average of 300 data “experiments” per day
- Increased Retention by 87%
- Lowered the cost of a new account by 83%
- Stock price outpaced S & P by a factor of ten

Testing

Learning



Acting

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A New Breed of Proactive Measures

- “Revenue Opportunity” =
Actual \$ / Optimal \$



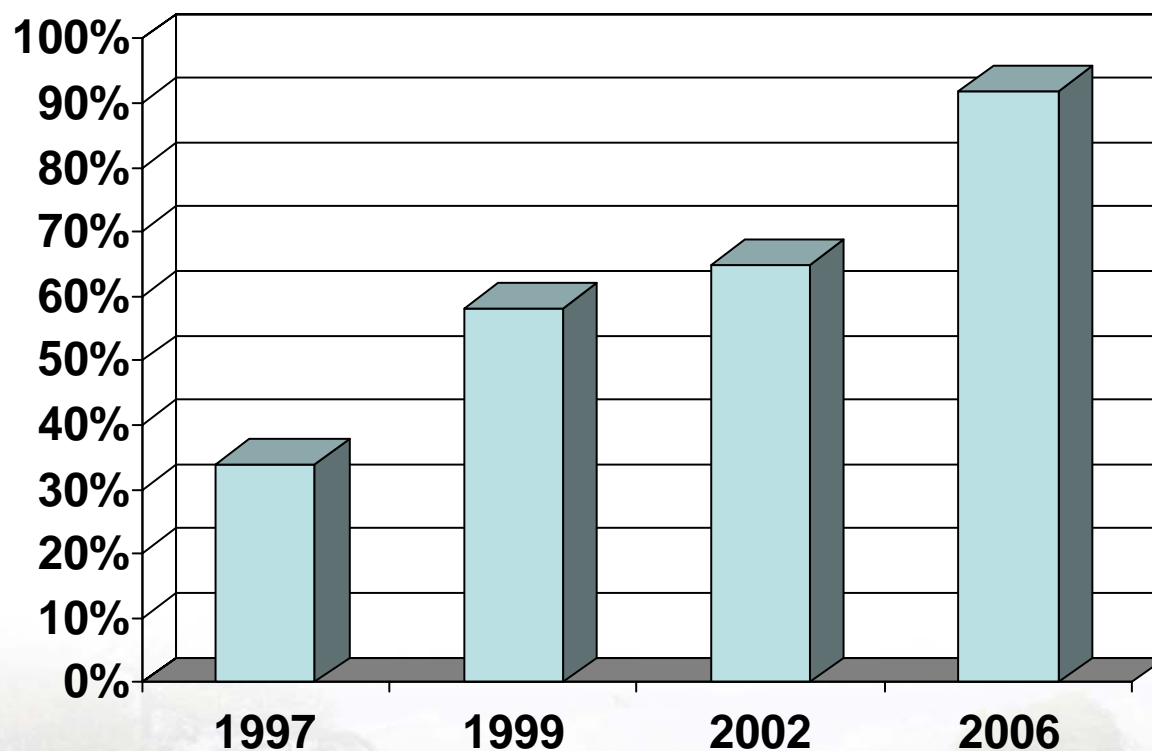
- “One Yield” =
Automating Revenue
Management

- A New Analytical Staff
for all divisions

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Analytical Expertise: How do we get there?



371 Large and Medium Sized Companies
Jeanne G. Harris Accenture Institute

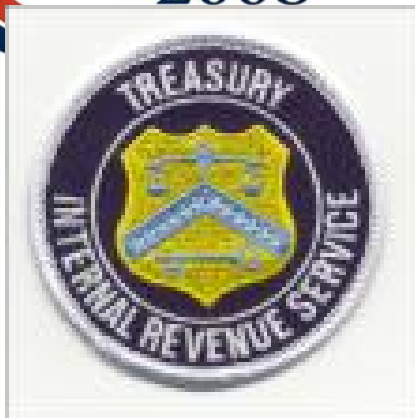
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Sustained Advantage: How?

- Hard to Duplicate: Its not about the data
- Unique: Why are analytics used?
- No Boundaries: Crossing internal boxes
- De-averaging: Breaking apart the numbers
- Renewable: Analytics work well for continuous improvement

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Data for “winning” in Government

The Tax Gap Analysis

**Electronic Medical Records and
Analysis: Predictive modeling,
Evidence Based medicine and
Automated Treatment**

**“The Best Medical Care in the US -
Business week”**

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Clarifying Cause and Effect

- We've come a long way in showing how we did.
- Now, which activities have the greatest impact?
- In almost every industry; earnings per share accounts for less than 30% of corporate value. Where is government's value?

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